

# Terebinth FI Macro FR Retail Hedge Fund

Minimum Disclosure Document | Fee Class: 1 |

As of 31/10/2024



## Fund Information

Investment Manager	Terebinth Capital (Pty) Ltd
Portfolio Manager	Erik Nel & Nomathibana Okello
Inception Date	01/04/2013
CISCA Transition	01/08/2017
Benchmark	STeFI Composite Index
ASISA Category	Retail Hedge Fund – South African – Fixed Income
Currency	South African Rand
Fund Size	2,041,619,566.26
Unit Price	3029.21
Units in Issue	1121852.06
Ticker	DRR900

## Risk Profile

Medium

## Portfolio Objective

Provide returns in excess of 5% over benchmark on an average annual basis over rolling 36-month periods with a low degree of volatility. The strategy is primarily focused in the most liquid areas of the broader income spectrum, with a strong focus on risk management.

## Investment Strategy

The fund is a South African domiciled, rand-denominated fixed income hedge fund, focusing on macro strategies. Through the use of qualitative and quantitative methodologies opportunities are exploited across three disciplines: Structural/Strategic; Technical; Tactical. The fund is actively managed, with a focus on risk management and to provide investors with a high degree of confidence regarding liquidity.

## Fees (%) - Including VAT

Service Fee	1.41
Performance Fee	17.25
Total Expense Ratio	2.81*
Transaction Costs	0.10
Total Investment Charge	2.91

\*Includes a performance fee of 1.43%

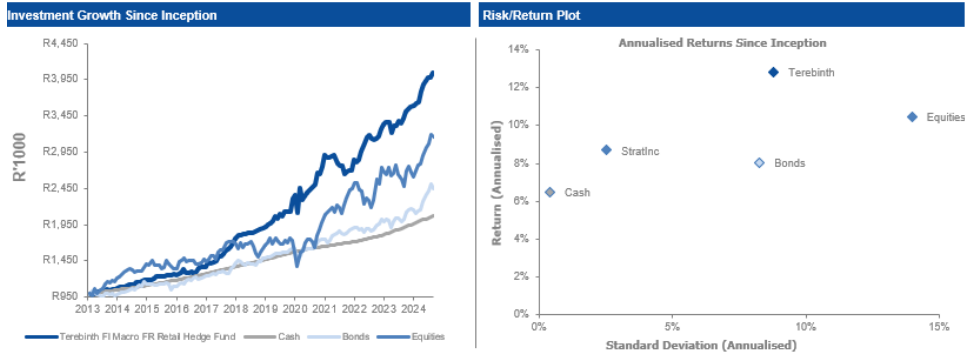
## Annual Distributions

Dec 2023: 11,933.31 cents

## Additional Information

Minimum Investment: R1 000 000  
 Notice Period: One calendar month  
 Portfolio Valuation Frequency: Monthly  
 Transaction Cut-Off: 10:00 of last business day of month  
 Annual distribution declaration date: December  
 Performance Fee: Uncapped  
 Participation Rate: 15%

## Investment Growth & Risk-Reward - Since Inception



The investment performance is for illustrative purposes only and is calculated by taking the actual initial fees and all ongoing fees into account for the amount shown. Income is reinvested on the reinvestment date.

## Period Returns (%)

	YTD	1 Year <sup>1</sup>	3 Years <sup>1</sup>	5 Years <sup>1</sup>	Since Inception <sup>1</sup>
Terebinth FI Macro FR Retail Hedge 1	13.94	18.57	15.08	13.62	12.81
STeFI Composite	7.10	8.53	7.00	6.14	6.50
FTSE/JSE All Bond TR	14.11	21.29	10.49	9.43	8.05
FTSE/JSE All Share TR	14.85	27.16	12.48	12.76	10.44

## Monthly Performance\*

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	STeFI
2013				-0.05%	-0.03%	2.61%	-0.06%	0.04%	0.81%	1.73%	-0.39%	0.58%	5.32%	3.93%
2014	0.40%	1.48%	1.15%	0.30%	0.82%	0.80%	1.05%	0.44%	0.21%	1.91%	0.90%	0.64%	10.58%	5.90%
2015	1.95%	0.56%	-0.27%	0.21%	1.29%	1.99%	0.32%	0.12%	-0.28%	1.11%	0.71%	-0.98%	6.89%	6.48%
2016	1.76%	-1.09%	1.26%	0.96%	4.12%	-3.19%	-0.14%	1.35%	-3.15%	3.30%	2.93%	1.18%	9.36%	7.37%
2017	0.81%	0.02%	4.15%	-0.50%	0.57%	1.03%	4.37%	0.30%	1.83%	3.14%	1.61%	1.58%	20.46%	7.52%
2018	2.99%	3.96%	2.43%	0.39%	0.89%	-0.38%	1.33%	0.16%	-0.20%	0.54%	1.36%	0.59%	14.91%	7.29%
2019	1.15%	0.60%	2.03%	0.64%	1.76%	3.16%	-1.61%	3.33%	-1.75%	3.34%	0.13%	-0.38%	12.95%	7.29%
2020	8.51%	2.15%	-10.34%	16.26%	-6.91%	2.22%	2.01%	1.49%	2.09%	1.45%	6.09%	-0.48%	24.47%	5.39%
2021	3.86%	5.56%	-1.05%	-0.09%	0.70%	0.71%	-3.96%	-1.04%	-0.17%	-4.05%	1.05%	0.70%	1.83%	3.81%
2022	-0.03%	5.45%	-0.92%	0.87%	4.31%	3.84%	2.27%	1.39%	-1.83%	-0.22%	0.53%	0.72%	17.36%	5.19%
2023	3.28%	1.73%	1.10%	-0.02%	-4.24%	3.00%	-0.10%	1.98%	-1.15%	2.01%	3.17%	0.86%	11.99%	8.03%
2024	0.98%	0.42%	0.62%	0.52%	3.89%	2.95%	0.92%	1.26%	0.22%	1.41%			13.94%	7.10%

\*Performance is quoted net of all fees. The performance figures until the end of July 2017 (shaded) reflect performance achieved prior to CISCA regulation.

## Risk Statistics (%) - Since Inception

	Std Dev	Sharpe Ratio	Sortino Ratio	Kurtosis	Skewness	Highest Rolling 12 Month Return	Lowest Rolling 12 Month Return
Terebinth FI Macro FR Retail Hedge 1	8.78	0.72	0.77	11.93	0.85	37.31	-7.15
STeFI Composite	0.39	—	—	-0.67	-0.55		
FTSE/JSE All Bond TR	8.23	0.18	0.25	2.60	-0.55		
FTSE/JSE All Share TR	14.02	0.35	0.55	0.86	0.14		

## Value at Risk (VaR) (%)

Current VaR	2.11
Maximum VaR	4.72
Mandate VaR	20.00

Total exposure and leverage is calculated using the VaR approach. VaR represents the statistical loss that the Fund can experience given its current holding over a one month period with a 1% probability. Portfolio stress testing is performed by subjecting a portfolio through extreme market situations, and noting the portfolio profit and loss, value at risk and exposure movements. Risk Monitoring Specialist: Risk Café.

# Terebith FI Macro FR Retail Hedge Fund

Minimum Disclosure Document | Fee Class: 1 | As of 31/10/2024



## Contact Details

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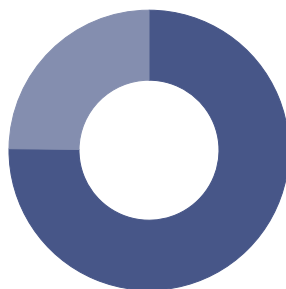
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## Disclaimer

Collective Investment Schemes are generally medium- to long-term investments. The value of participatory interests (units) may go down as well as up. Past performance is not necessarily a guide to future performance. Collective investments are traded at ruling prices and can engage in scrip lending and borrowing. A schedule of fees, charges, minimum fees and maximum commissions, as well as a detailed description of how performance fees are calculated and applied, is available on request from the Manager. The Manager does not provide any guarantee in respect to the capital or the return of the portfolio. Excessive withdrawals from the portfolio may place the portfolio under liquidity pressure and in such circumstances, a process of ring-fencing of withdrawal instructions and managed pay-outs over time may be followed. Commission and incentives may be paid, and if so, are included in the overall costs. The Manager may close the portfolio to new investors in order to manage it more efficiently in accordance with its mandate. Additional information, including key investor information documents, minimum disclosure documents, as well as other information relating to the basis on which the manager undertakes to repurchase participatory interests offered to it, and the basis on which selling and repurchase prices will be calculated, is available, free of charge, on request from the Manager. The Manager ensures fair treatment of investors by not offering preferential fee or liquidity terms to any investor within the same strategy. The value of an investment is dependent on numerous factors which may include, but not limited to, share price fluctuations, interest and exchange rates and other economic factors. Where foreign investments are included in the portfolio, performance is further affected by uncertainties such as changes in government policy, political risks, tax risks, settlement risks, foreign exchange risks, and other legal or regulatory developments. Prices are published monthly on the manager's website. The Manager is registered and approved by the Financial Sector Conduct Authority under CISCA. The Manager retains full legal responsibility for the portfolio. FirstRand Bank Limited is the appointed trustee, Terebith Capital (Pty) Ltd., FSP No. 47909, is authorized under the Financial Advisory and Intermediary Services Act 37 of 2002 to render investment management services. A higher Total Expense Ratio (TER) does not necessarily imply a poor return, nor does a low TER imply a good return. The current TER may not necessarily be an accurate indication of future TER's. Transaction Costs are a necessary cost in administering the financial product and impacts financial product returns. It should not be considered in isolation as returns may be impacted by many factors over time including market return, the type of financial product, the investment decisions of the investment manager and the TER. The highest and lowest 1-year returns represent the highest and lowest actual returns achieved during a 12-month rolling period year since the original launch date of the portfolio. The annualised total return earned by an investment each year over a given time period, since date of the launch of the fund. Actual annual figures are available from the manager on request. The performance figures given show the yield on a Net Asset Value ("NAV") basis. The yield figure is not a forecast. Performance is not guaranteed, and investors should not accept it as representing expected future performance. Individual investor performance may differ as a result of initial fees, time of entry/actual investment date, date of reinvestment, and dividends withholding tax. Performance is calculated for a lump sum investment on a Net Asset Value basis. The performance figures are reported net of fees with income reinvested. The Financial Services Board in South Africa published Hedge Fund regulations that seek to regulate investment products in this category of investment. All information provided is historic. We believe that Hedge Funds may carry additional risks for investors. They can provide enhanced investment returns on a risk-adjusted basis and therefore have a role to play in a diversified investment portfolio. **FUND RISK** ■ **Leverage Risk:** The Fund borrows additional funds, trades on margin or performs short sale trades to amplify investment decisions. This means that the volatility of a hedge fund portfolio can be many times that of the underlying investments due to leverage on a fund. ■ **Derivative Risk:** Derivative positions are financial instruments that derive their value from an underlying asset. Derivatives are exposed to implicit leverage which could result in magnified gains and/or losses on the portfolio. ■ **Counterparty Credit Risk:** Counterparty risk is a type of credit risk and is the risk of default by the counterparty associated with trading derivative contracts. An example of counterparty credit risk is margin or collateral held with a prime broker. ■ **Volatility Risk:** Volatility refers to uncertainty and risk related to size of change of an instrument or portfolio. It is a statistical measure of the dispersion of returns for a given security or market index. Volatility is proportional to the directional exposure of a portfolio and is measured by Value at Risk (VaR) which is a statistical technique used to measure and quantify the level of volatility. ■ **Concentration and Maturity Segment Risk:** A large proportion of total assets invested in specific assets and/or maturity segments on the yield curve. Concentrated positions in a portfolio will materially impact the returns of the portfolio more so than diversified portfolios. ■ **Correlation Risk:** A measure that determines how assets move in relation to each other. Correlation risk arises when the correlation between asset-classes change. Correlation risk also arises when the correlation within an asset-class changes. Examples of correlation within asset classes include equity pairs trading, fixed income curve trading and commodities pairs trading. ■ **Interest Rate Risk:** The values of bonds and other debt securities are inversely proportional to the change in interest rates. Interest rate risk is generally greater for investments with longer maturities as well as when the market does not expect a change in the interest rates. ■ **Credit Default Risk:** The risk that the government entity or company that issued the bond will run into financial difficulties and won't be able to pay the interest or repay the principal at maturity. Credit risk applies to debt investments such as bonds. The higher credit rating the less likely the possibility of the issuing company defaulting. ■ **Value at Risk (VaR):** Value at risk is the minimum loss percentage that can be expected over a specified time period at a predetermined confidence level. Data sources: Morningstar Direct, INET BFA and Bloomberg.

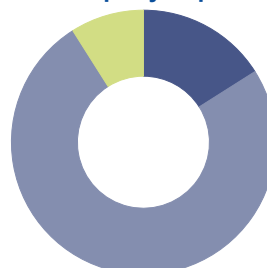
Issue date: 14 November 2024

## Asset Allocation



Asset Class	%
FIXED INCOME: BONDS AND DERIVATIVES	75.2
CASH / MONEY MARKET	24.8
<b>Total</b>	<b>100.0</b>

## Counterparty Exposure



Counterparty	%
ABSA BANK LIMITED	16.0
JSE DEBT MARKET	75.0
JSE CLEAR PTY LIMITED	0.0
FIRSTRAND BANK LIMITED	9.0
<b>Total</b>	<b>100.0</b>

## Market and Fund Commentary

As we reflect on October, it is essential to understand the prevailing dynamics in our global economy. Although the economy continues to expand, the pace has noticeably decelerated, presenting nuanced challenges for investors. Global GDP growth remains resilient but subdued, with projections from the IMF indicating a plateau at pedestrian levels—3.2% for both 2024 and 2025. In developed markets, growth is forecasted at 1.8%, while emerging markets are expected to grow at 4.2%. Yet, growth in Europe is anticipated to lag, and recent indicators suggest that the economic slowdown in China and India may affect broader trends. Amid these uncertainties, household savings are rising, and business investments are softening, particularly in cyclically sensitive sectors.

The upcoming US elections on November 5 are injecting a dose of uncertainty into the market. Economic implications are far more complicated than the market narratives being priced into markets. Most notable perhaps is the starkly different pre-election price behaviour of equity vs. rates markets - risks to higher yields appear to be reflecting some combination of fiscal/debt issuance and inflation fears. In contrast, equities are squarely focused on positive paths to earnings leverage, arguably ignoring the risks therein from different electoral policies. The two views seem to be very much at odds with each other and could be a source of volatility following the election. Who is right or wrong probably won't be settled in the initial market move; it could take months until we truly understand the policy framework.

Market expectations on the Fed have been surprisingly steady, especially following the NFP upside surprise in October, which took the wind out of the sails of the "slowdown" narrative. The latest payroll data, influenced by distortions from Boeing strikes and the hurricane, is not expected to change this narrative significantly.

As discussed, rates and equity markets have very different takes on the policy implications of the election. A Harris victory represents policy continuity, particularly with the expected odds of a Republican Senate. However, the Republican scenarios raise questions—when and at what level would tariffs come, and how would fiscal policy shift? While tariffs are a clear risk, they can be modelled accurately once framed, drawing on the 2018 playbook for insights. In contrast, fiscal policy lacks similar precedents.

EM have faced challenges in recent weeks as the dollar has risen, and tariff risks have been priced in. In the event of a Harris victory, we could expect a rebound in EM assets as tariff risks diminish. However, the stronger dollar and the underperformance of EM-exposed assets have forced central banks, particularly in Latin America, to become more cautious. The economic outlook in EM remains surprisingly resilient despite high real rates, yet these markets remain susceptible to catalyst events, making the upcoming election critical for their trajectory.

As we navigate this landscape, several risks loom. The disconnect between economic uncertainty and financial market volatility is striking. The IMF has noted that while near-term financial stability risks appear contained, the potential for sharper declines in economic activity post-election could create turbulence. Anticipated shifts in fiscal policy could lead to a reallocation of capital across both EM and DM.

Since the establishment of the GNU, South African asset prices have demonstrated notable recovery, indicating a potential shift in the nation's economic landscape. While it is premature to confirm a sustainable improvement in growth toward the 2.5%–3.0% "break-even" rate, which is critical for reducing the debt-to-GDP ratio and unemployment, there is cause for cautious optimism regarding cyclical growth and asset valuations.

Business and consumer confidence has rebounded post-election uncertainty, aided by reduced load shedding. However, improvements in energy supply have decreased the urgency for fixed investment in embedded generation solutions. Notably, large-scale electricity tariff increases may rekindle demand for energy management solutions. Significant investments, estimated at R400bn, are necessary to expand grid capacity and further stimulate economic growth.

Meanwhile, the logistical sector continues to face challenges, notably in rail and port operations, impacting export growth and competitiveness. Initiatives are underway, including a partnership between Transnet and private firms to upgrade critical container terminals, aimed at addressing these constraints. Successful logistical improvements are projected to boost GDP growth by approximately 1%.

The MTBPS outlined a commitment to fiscal consolidation and structural reforms to enhance economic growth. The budget deficit is projected to narrow from 4.7% to 3.4% of GDP by 2027/28, with a primary surplus forecasted to improve fiscal sustainability. Despite lower revenue forecasts for 2024, driven by reduced VAT and fuel levy collections, the government remains focused on enhancing tax efficiency and minimizing unnecessary expenditure. Significant efforts are being directed toward public infrastructure investment, including strategic PPPs to mobilize private sector resources. The negative reaction to a lack of clarity on inflation targeting, a fiscal rule and reluctance to lower issuance could be weighed up against pushback by the Finance Minister on the affordability of permanent grants and a positive outlook on the potential to be removed from being greylisted midway through 2025.